Kent County CMH Authority (a component unit of the County of Kent, Michigan)

Financial Statements and Supplemental Material

Years Ended September 30, 2004 and 2003

Michigan Deptartment of Treasury 496 (2-04) Auditing Procedures Report

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Yes	✓ No					ents which do not comply of 1982, as amended [MC		y requireme	nts. (I	P.A. 20 of 1943
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Independent Auditors' Report

Kent County CMH Authority Grand Rapids, Michigan

We have audited the accompanying financial statements of Kent County CMH Authority (formerly Kent County Community Mental Health Services Board) (the Authority), a proprietary fund component unit of the County of Kent, Michigan, as of and for the years ended September 30, 2004 and 2003, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2005, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Analysis of Funding Progress – Employee Retirement System are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Authority taken as a whole. The accompanying supplemental material listed in the table of contents, as well as the accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Authority. Such information, except for the portion marked "Unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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Grand Rapids, Michigan January 18, 2005

Management's Discussion and Analysis

This section of Kent County CMH Authority's annual financial report presents management's discussion and analysis of activities and financial performance during the fiscal year ended September 30, 2004. Please review it in conjunction with the Independent Auditor's Report, the Financial Statements, the Notes to the Financial Statements, and the Supplemental Material presented in this financial report.

Kent County CMH Authority is doing business as Community Mental Health and Substance Abuse Network of West Michigan (CMHSA), and is an Authority established by the State of Michigan and the County of Kent. The mission of the Authority is to shape our community in ways that support the full potential and valued place of each person, especially those at risk of or impacted by developmental disability, emotional disorder, mental illness, and substance use disorder.

The Kent County Board of Commission appoints the board members governing the Authority. The County also provides annual financial support to the Authority, and the Authority is considered a component unit for reporting purposes in the audit report of the County of Kent.

This section contains information on the basic financial statements of the Authority together with any required explanation that would be essential to acquire a full understanding of the data contained therein.

FINANCIAL POSITION SUMMARY

Analysis of assets, liabilities and net assets over time serves as a useful indicator of the Authority's financial position. The Authority's assets exceed liabilities by \$9.1 million at September 30, 2004. This represents a \$2.4 million increase from September 30, 2003.

A condensed summary of the Authority's balance sheet is shown below:

September 30,	 2004	2003
Assets:		
Current assets	\$ 19,660,685 \$	17,905,992
Net capital assets	274,269	411,023
Total Assets	 19,934,954	18,317,015
Liabilities:		
Current liabilities	10,835,109	11,598,858
Net Assets:		
Invested in capital assets	274,269	411,023
Unrestricted	8,825,576	6,307,134
Total Liabilities and Net Assets	\$ 19,934,954 \$	18,317,015

The amount of net assets invested in capital assets is \$274,269 or 3.0% of net assets. Net assets designated for risk fund is \$1,848,110 or 20.3% of net assets. Undesignated, unrestricted net assets of \$6,977,466 represent 76.7% of total net assets.

REVENUES

A summary of operating revenues for the fiscal year ended September 30, 2004, and the amount and percentage of change in relation to the prior year is as follows:

	2004 Amount	Percent of Total	 Increase (Decrease) from 2003	Percent Increase (Decrease)
Operating Revenues: Medicaid funds State general funds Federal and State grants General revenue	\$ 66,712,818 16,140,926 5,752,737 1,552,875	74.0% 17.9 6.4 1.7	\$ 2,672,313 (504,042) (657,330) 258,792	` '
Total Operating Revenues	\$ 90,159,356	100.0%	\$ 1,769,733	2.0%

EXPENSES

A summary of operating expenses for the fiscal year ended September 30, 2004, and the amount and percentage of change in relation to the prior year is as follows:

		2004 Amount	Percent of Total		Increa (Decrea from 20	ise)	Percent Increase (Decrease)
Operating Expenses: DD division MIA division SA division CFAO division Other programs Management and general	\$	38,167,017 30,253,802 6,951,025 5,308,542 5,286,961 4,358,236	42.2% 33.5 7.7 5.9 5.9 4.8	\$	(683 (1,155 153 156	7,070 3,891) 5,061) 3,569 5,642 4,586	
Total Operating Expenses	\$	90,325,583	100.0%	s \$	(1,267	7,085)	(1.4)%
Fiscal Year Ended September 30,	-				2004		2003
Operating loss Non-operating revenue Kent County transfer			\$		5,227) 5,529 2,386	\$ (3,203,045) 329,175 2,162,386
Increase (Decrease) in Net Assets				2,381	,688		(711,484)
Net Assets, beginning of year				6,718	3,157		7,429,641
Net Assets, end of year			\$	9,099	,845	\$	6,718,157

FINANCIAL OPERATIONS HIGHLIGHTS

- Total operating revenues increased by 2% or \$1,769,733 from \$88,389,623 to \$90,159,356 in 2004 principally due to the increases in Medicaid funding.
- Operating expenses decreased by 1.3% or \$1,267,085 from \$91,592,668 (as restated) to \$90,325,583 in 2004 principally due to decreased utilization in the MIA and SA divisions.

- Non-operating revenue increased 17.1% or \$56,354 from \$329,175 to \$385,529 in 2004 principally due to better market performance of investments resulting in an increase in investment income.
- The total increase in net assets in 2004 was \$2,381,688. The Authority board approved funding various programs and expenses during the year through the use of fund balance. These programs included a public inebriates program, a program for self-determination, funding for DD specialized residential, computer purchases, and depreciation expense. The total amount approved for these programs was \$283,971.
- The Authority's contract reconciliation with the State of Michigan identified \$173,622 of Medicaid savings and \$142,901 of State general funds available to carry forward to fiscal year 2004/2005.

SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash for the past two years:

Fiscal Year Ended September 30,	2004	 2003
Net cash (used in) provided by operating activities Net cash provided by non-capital financing activities Net cash (used in) capital and related financing activities Net cash provided by investing activities	\$ (1,251,488) 2,199,886 (12,840) 385,529	\$ 1,075,752 1,008,483 (203,502) 329,175
Increase in Cash	1,321,087	2,209,908
Cash, beginning of year	 15,979,614	13,769,706
Cash, end of year	\$ 17,300,701	\$ 15,979,614

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Government Accounting Standards Board (GASB) and also follows, where appropriate, statements and interpretations by the Financial Accounting Standards Board (FASB). Revenues are recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized (except land and construction in progress) and are depreciated over their useful lives. See the notes to the financial statements for a summary of the board's significant accounting policies.

Respectfully submitted,

Thomas Elzinga

Deputy Director of Administrative Services

Robin DeYoung

Accounting Manager

Statements of Net Assets

September 30,	2004	2003
Current Assets		
Cash and cash equivalents (Note 2)	\$ 17,300,701	\$15,979,614
Accounts receivable	608,964	391,221
Due from State of Michigan	1,489,290	1,438,969
Due from Kent County	146,387	2,244
Prepaids and other current assets	115,343	93,944
Total Current Assets	19,660,685	17,905,992
Capital assets, net of accumulated depreciation (Note 3)	274,269	411,023
Total Assets	\$ 19,934,954	\$18,317,015
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,607,491	\$ 9,818,851
Due to State of Michigan	906,862	1,496,751
Due to Kent County	320,756	283,256
Total Current Liabilities	10,835,109	11,598,858
Commitments (Notes 4, 5, 7, and 8)		
Net Assets (Note 9)		
Invested in capital assets	274,269	411.022
Unrestricted	8,825,576	411,023
	0,043,370	6.307,134
Total Net Assets	9,099,845	6,718,157
Total Liabilities and Net Assets	\$ 19,934,954	\$18,317,015

See accompanying notes to financial statements.

Statements of Revenues, Expenses and Changes in Net Assets

Year Ended September 30,	2004	2003
Operating Revenues		
Medicaid/PEPM	\$ 63,724,956	\$60,606,224
State grants	16,140,926	16,644,968
Substance abuse division	6,679,701	7,609,931
Children's model waiver	962,883	1,043,098
OBRA programs	620,603	777,613
Other Federal and State grants	550,201	445,089
Cornerstone	211,877	251,902
Miscellaneous	1,268,209	1,010,798
Total Operating Revenues	90,159,356	88,389,623
Operating Expenses		
Program services:		
DD division	37,204,134	37,027,202
MIA division	30,253,802	30,937,693
CFAO division	5,308,542	5,154,973
Substance abuse division	6,951,025	8,106,086
Cornerstone	3,456,245	3,430,883
Training	267,397	270,603
PA 530 local match	1,018,797	1,018,797
Children's model waiver	962,883	1,042,745
Other Federal and State grants	544,522	410,036
Administration	4,358,236	4,193,650
Total Operating Expenses	90,325,583	91,592,668
Operating Loss	(166,227)	(3,203,045)
Non-Operating Revenue		
Investment income	385,529	329,175
Transfers From Kent County	2,162,386	2,162,386
Change in Net Assets	2,381,688	(711,484)
Net Assets, beginning of year, restated (Note 9)	6,718,157	7,429,641
Net Assets, end of year	\$ 9,099,845	\$ 6,718,157

See accompanying notes to financial statements.

Statements of Cash Flows

Year Ended September 30,	2004	2003
Operating Activities		
Cash received from providing services	\$ 89,157,260	\$ 89,552,939
Cash paid to suppliers	(84,824,098)	(83,137,777)
Cash paid to employees	(5,584,650)	(5,339,410)
Cash Provided by (Used in) Operating Activities	(1,251,488)	1,075,752
Non-Capital Financing Activity		
Payments from Kent County	2,199,886	1,008,483
Capital Activitiy		
Purchase of capital assets	(12,840)	(203,502)
Investing Activity		
Interest income	385,529	329,175
Increase in Cash	1,321,087	2,209,908
Cash and cash equivalents, beginning of year	15,979,614	13,769,706
Cash and cash equivalents, end of year	\$ 17,300,701	\$ 15,979,614
Reconciliation of Operating Loss to		
Net Cash Provided by (Used in) Operating Activities:		
Operating loss	\$ (166,227)	\$ (3,203,045)
Adjustments to reconcile operating loss to	(100,227)	\$ (5,205,045)
net cash provided by (used in) operating activities:		
Depreciation	149,594	141,943
(Increase) decrease in:	2 13 425 .	141,545
Accounts receivable	(361,886)	(241,177)
Due from State of Michigan	(50,321)	2,828,278
Prepaids and other current assets	(21,399)	(53,368)
Increase (decrease) in:	(=1,233)	(55,508)
Accounts payable and accruals	(211,360)	3,026,906
Due to State of Michigan	(589,889)	(1,423,785)
Net Cash Provided by (Used in) Operating Activities	\$ (1,251,488)	\$ 1,075,752

See accompanying notes to financial statements.

Notes to Financial Statements

1. Nature of Organization

Kent County CMH Authority (Authority) was created by the Kent County Board of Commissioners of Kent County, Michigan (primary government), to operate, control, and manage an integrated behavioral healthcare system in order to serve Kent County (the County). The Authority does business as Community Mental Health and Substance Abuse Network of West Michigan (CMHSA). Prior to April 1, 2003, revenues and expenses, and the resultant assets, liabilities, and equity were presented as a special revenue fund of the primary government. The Authority is governed by a community mental health services board, which is appointed by the Kent County Board of Commissioners. The primary government also provides financial support annually to the Authority. Accordingly, the Authority is considered to be a component unit of the County and is discretely presented in the financial statements of the County.

2. Significant Accounting Policies

Basis of Accounting

These financial statements have been prepared using proprietary fund accounting. Revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. The Authority follows all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Practice Bulletins (APB) opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Revenues from premiums, state grants, client service, and federal grants are reported as operating revenues. Transactions that are capital, financing, or investing related are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses.

Cash and Cash Equivalents

Cash is on deposit in the County's Pooled Cash and Investment System (Money Max). Interest income earned is included in the pooled funds. Only the Authority's portion of this pool is reported on the balance sheet. Additional cash is held at a commercial bank (see Note 6).

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan which are also members of a Federal or National Insurance Corporation.

Notes to Financial Statements

State statutes and various bond indentures authorize the County to invest in obligations of the United States Treasury, agencies and instrumentalities, commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, bankers' acceptances of U.S. banks, United States government or federal agency obligation repurchase agreements and mutual funds composed of the types of investment vehicles previously named.

The County's investments are categorized in the County's financial statements to give an indication of the level of risk assumed by the entity at year end. It is not feasible to allocate the level of risk to the various funds and component units of the County. Accordingly, the Authority's investments are not categorized in this report.

Receivables and Payables

Accounts receivable, representing outstanding balances on charges for services, are considered fully collectible.

Transactions between the Authority and various departments of the State of Michigan that are representative of service provider/purchaser and borrowing arrangements outstanding at year-end are reported as "due from/to State of Michigan."

Transactions between the Authority and provider agencies that represent the differences outstanding at year-end between amounts advanced to agencies and qualifying expenditures are included in accounts receivable/payable and accruals.

Capital Assets

Fixed assets are recorded at cost. Routine maintenance and repairs are charged to operations, as incurred. Upon sale or retirement, the related cost and accumulated depreciation are removed with the resulting gain or loss reflected in operations.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 3-10 years.

Notes to Financial Statements

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets is the Authority's investment in capital assets, net of accumulated depreciation.

Claims Liability

Under the State of Michigan's Managed Care Specialty Services Program, the Authority is responsible for processing and paying all claims related to required services provided. The cost of these services includes estimates of payments to be made on claims reported and estimates of services rendered but not reported to the Authority as of the balance sheet date.

Self-Insurance Plans

The Authority participates in a self-insurance program for dental benefits. Total expense charged to operations for costs incurred for the years ended September 30, 2004 and 2003 amounted to \$47,300 and \$33,500, respectively.

Compensated Absences

Employees are granted vacation or paid time off leave in varying amounts based on length of service. Depending on classification, employees may not accumulate over 37½ days of vacation leave in any one calendar year. Upon termination, employees are paid for unused vacation at their current rates. It is the Authority's policy to recognize the cost of vacation pay at the time the liability is incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

3. Capital Assets

Capital asset activity was as follows:

	Balance, October 1, 2003	Increase	Decrease	Balance, September 30, 2004
Capital assets being depreciated: Equipment and furniture	\$ 882,439	\$ 12,840	\$ (7,250) \$ 888,029
Less accumulated depreciation: Equipment and furniture	471,416	149,594	(7,250)	.,
Total Invested in Capital Assets, net	\$ 411,023	\$ (136,754)	\$ -	\$ 274,269

Depreciation expense of \$149,594 is recorded as administrative expense.

4. Retirement Plans

Defined Benefit Plan

Plan Description

The Authority's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Authority participates in the Municipal Employees' Retirement System of Michigan (MERS).

The Authority establishes and amends the benefit provisions of the participants in the Plan. The report may be obtained by writing the Municipal Employees' Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The Authority is required to contribute at an actuarially determined rate. Employees are required to contribute 3.55% of their payroll to the Plan. The contribution requirements of the Authority are established and may be amended by the Authority trustees.

Annual Pension Cost

For the years ended September 30, 2004 and 2003, the Authority's annual pension cost was \$240,373 and \$176,437, respectively, and the

Notes to Financial Statements

actual amount contributed was \$195,763 and \$153,085, respectively. The required contributions were determined as part of the December 31, 2003 and May 1, 2003, actuarial valuations, using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return and (b) projected salary increases of 4.5% per year. The remaining amortization period for all liabilities at September 30, 2004, is 30 years.

Trend Information

Trend information consists of the following:

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation		
2004	\$ 240,373	81.4 %	\$ 44,610		
2003	176,437	86.8	23,352		

Required supplementary material regarding the Plan is presented on page 18.

Other Postemployment Benefits

In addition to the pension benefits described above, the Authority provides postretirement healthcare benefits, in accordance with Authority policies, to all employees who retire from the Authority on or after attaining the age of 60 with at least five years of service, or employees with 25 years of service regardless of age. Currently, there are no authority employees who meet those eligibility requirements. The Authority pays \$3 to \$6 per year of service per month, or a maximum of \$200 per month, towards medical and hospitalization premiums.

5. Noncancelable Lease Agreements

The Authority has entered into noncancelable operating lease agreements on behalf of various agencies for the purpose of providing housing to the developmentally disabled. The Authority also leases office space for Cornerstone under agreements which expire in 2005.

Future minimum rental payments are as follows:

Year ending September 30,

2005	\$ 391,416
2006	204,465
2007	204,465
2008	190,594
2009	56,002
2010	36,300

Notes to Financial Statements

The Authority paid rental expense under these lease agreements of \$388,957 and \$390,073 during 2004 and 2003, respectively.

6. Related Party Transactions

Administrative expenses incurred by the County during previous years on behalf of the Authority are charged to the Authority. The County owns the land and the building in which the Authority conducts its operations. The Authority paid \$1 in rent to the County during both 2004 and 2003.

The president of the bank utilized by the Authority as its primary bank is a member of the Authority's Board. Authority cash deposits held at this bank at September 30, 2004 and 2003 total \$5,033,276 and \$3,262,890, respectively. Of this amount, \$100,000 is covered by federal insurance.

7. Contingencies

The Authority provides mental health services primarily to residents of Kent County through agencies in the Kent County area. The Authority is funded primarily through contracts with the Michigan Department of Community Health, based on actual expenditures incurred. Final settlements of amounts received are subject to possible adjustments resulting from audits by the State of Michigan. Such adjustments are not expected to materially affect the financial position of the Authority.

8. Financing of Pending Managed Care Risk Loss Corridor

Effective October 1, 1998, the Authority began operating as a managed care provider to the State of Michigan. The Authority bears all costs up to 107.5% of the annual negotiated contract. All costs above 107.5% are borne by the State of Michigan. The Authority has designated a portion of net assets and funded an amount to cover the risk exposure under its contract with the State of Michigan.

9. Prior Period Adjustment

During 2004, the Authority determined that certain assets that were acquired in fiscal year 2002 and expensed at that time should have been capitalized. Consequently, a prior period adjustment was made to increase beginning net assets at October 1, 2002 to reflect this change as follows:

Net assets at September 30, 2002, as originally reported Prior period adjustment	\$	7,254,513 175,128	
Net Assets at October 1, 2002, as restated	<u> </u>	7,429,641	

In addition, depreciation expense for the year ended September 30, 2003 was increased by \$56,861, changing the 2003 decrease in net assets from \$654,623 to \$711,484 and net capital assets at September 30, 2003 increased \$118,267 from \$292,756 to \$411,023.

Required Supplemental Material

Analysis of Funding Progress - Employee Retirement System

	(a)	(b) Actuarial	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2004 May 1, 2003	\$ 11,186,319 8,145,303	\$ 8,343,434 7,460,508	\$ (2,842,885) (684,795)	134.1 109.2	\$ 5,115,767 4,573,371	(55.6) (15.0)

Supplemental Material



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Kent County CMH Authority Grand Rapids, Michigan

We have audited the financial statements of Kent County CMH Authority (the Authority), as of and for the years ended September 30, 2004 and 2003, and have issued our report thereon dated January 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DUO DESAUS, UP Grand Rapids, Michigan January 18, 2005



99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with *OMB Circular A-133*

Kent County CMH Authority Grand Rapids, Michigan

Compliance

We have audited the compliance of Kent County CMH Authority (the Authority) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grand Rapids, Michigan

300 Silma, UP

January 18, 2005

Schedule of Expenditures of Federal Awards

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:		
Passed Through Michigan Department of Community Health:		
Child Care Consultation	93.110	\$ 60,000
Projects for Assistance in Transition from Homelessness (PATH)	93.150	35,975
State Incentive Grant - Wedgwood	93.243	140,085
State Children's Insurance Program:		
ABW	93.767	1,312,985
MI Child	93.767	58,744
Medical Assistance Programs - OBRA	93.778	472,291
Block Grants for Community Mental Health:		
Wrap-Around Respite Grant Juvenile Justice Diversion Project	93.958	24,821
Kent MI/SA Program	93.958	50,000
Case Management	93.958 93.958	111,760
Consumer Drop In	93.958	51,932
Self-Determination	93.958	9,000 44,091
Older Adult Care	93.958	20,130
Pre-Booking Jail Diversion	93.958	7,022
Peer Support Staff on ACT Teams	93.958	21,913
Treating Adults with Co-Occurring Disorders	93.958	74,202
Enhanced Residential Addiction Treatment	93.958	59,579
WRAP	93.958	22,482
Block Grants Prevention and Treatment of Substance Abuse:		
Women's Specialty	93.959	142,714
SATP	93.959	744,098
Project Rehab	93.959	464,866
Community Grant	93.959	686,032
BSAS	93.959	44,667
Prevention	93.959	599,844
Total Expenditures of Federal Awards		\$ 5,259,233

Note to Schedule of Expenditures of Federal Awards

Note 1

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133*, *Audits of States*, *Local Governments*, *and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

See accompanying independent auditors' report.

Summary of Auditors' Results and Schedule of Findings and Questioned Costs

	Section I – Summary of Auditor's Results	
Financial Statemen	ts	
Type of auditors' rep	port issued:	Unqualified
Internal control over • Material weakne	financial reporting: ess(es) identified?	No
Reportable conditions	ition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance mate	erial to financial statements noted?	No
Federal Awards		
Internal control over • Material weakness		No
Reportable condi	tion(s) identified that are not considered to be material weaknesses?	None
An unqualified opinion	on was issued on the compliance report for major programs.	Reported
Any audit findings dis in accordance with se	sclosed that are required to be reported section 510(a) or Circular A-133?	No
Identification of majo	or programs:	
CFDA Number(s)	Name of Federal Program or Cluster	
93.767 93.778 93.958	State Children's Insurance Program Medical Assistance Programs - OBRA Block Grants for Community Mental Health	
Dollar threshold used	to distinguish between Type A and Type B programs	\$ 300,000
Auditee qualified as lo	ow-risk auditee?	Yes
	Section II – Financial Statement Findings	1

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

T)T)	ъ.	•	
13()	1)11	/10	sion

Year ended September 30, 2004	Budget	Actual	Variance Positive (Negative)
Expenses			(riogative)
Assertive community treatment	\$ -	\$ -	C
Assesment and evaluation	259,116		\$ -
Care coordination	259,110	259,116	-
Case management	-	-	-
Clubhouse program	-	16.010	(16.040)
Community living supports	712,261	16,810	(16,810)
Day programs	/12,201	403,593	308,668
ECT	-	12.101	-
Emergency services	-	12,101	(12,101)
Enhanced health care	427	1.000	(1.550)
Family skills development	763,488	1,980	(1,553)
HIV/AIDS training	703,488	815,277	(51,789)
Home based	-	-	-
Home leases	295 250	255 100	-
Housing assistance	285,250	255,188	30,062
Innovation plans	1,348,864	1,441,959	(93,095)
Integrated employment	262,234	20,195	242,039
Jail	1,219,133	1,203,967	15,166
Local inpatient service	-	-	-
Medications	-	-	-
Mental health clinic	-	-	-
Methadone/LAAM	-	-	-
MIN-liquor tax	-	-	-
MIN-MI Child	-	-	-
OBRA	74.242	-	-
Other skill building	74,242	71,337	2,905
Out of county	5,238,394	5,567,749	(329,355)
Outpatient services	0.020	349,681	(349,681)
Partial hospitalization	9,020	7,453,975	(7,444,955)
Peer operated support services	-	-	-
Personal assistance	-	100.000	<u>-</u>
Prevention	24.052	180,252	(180,252)
Public inebriates	24,852	24,852	-
Respite care	205.50	_	-
	385,701	676,225	(290,524)

Schedule of Expenses

	MIA Division			CFAO Division	<u> </u>	Substance Abuse Division			
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	
\$ 8,546,579	\$ 8,618,591	\$ (72,012)	\$ -	\$ -	\$ -	\$ -	¢.	•	
-	-	- (72,012)	186,990	193,338	(6,348)) -	\$ -	\$ -	
-	-	-	-	-	(0,5 10)	125,856	125,856	-	
1,275,140	1,163,508	111,632	-	_	_	-	123,630	-	
978,168	976,482	1,686	-	-	-	_	_	_	
-	-	-	-	-	-	_	_	_	
455,770	458,134	(2,364)	-	-	_	_	_	_	
-	11,755	(11,755)	-	-	-	_	_	_	
555,684	555,684	-	-	-	_	-	_	_	
-	-	-	-	-	-	_	-	-	
-	-	-	-	-	-	290,500	101,485	189,015	
-	-	-	-	-	-	115,370	115,370	_	
-	-	-	1,727,362	1,485,037	242,325	-	-	-	
50.400	-	-	-	-	-	-	-	_	
50,400	50,400	-	-	-	-	150,000	110,531	39,469	
37,600	44,331	(6,731)	183,555	104,191	79,364	50,340	50,340	-	
770,685	535,106	235,579	-	-	-	-	-	-	
- 5 494 702	- - 704 100	(200 405)	_	-	-	131,364	131,364	-	
5,484,703	5,794,128	(309,425)	543,942	548,343	(4,401)	-	-	-	
- 974,996	2 252 770	(1.055.500)	176,301	231,309	(55,008)	-	-	-	
974,990	2,252,779	(1,277,783)	1,037,033	1,078,856	(41,823)	-	-	-	
-	85,050	(95.050)	-	-	-	204,815	206,645	(1,830)	
-	65,030	(85,050)	20,000	20,000	-	16,000	16,000	-	
616,578	562,407	- 54,171	-	-	-	-	-	-	
010,570	302,407	34,171	-	-	-	-	-	-	
_	36,187	(36,187)	-	10.465	- (10.465)	-	-	-	
_	50,167	(30,187)	-	12,465	(12,465)	-	-	-	
322,852	397,534	(74,682)	- 45.055	-	((50)	1,103,253	1,174,348	(71,095)	
92,484	92,484	(74,002)	65,955	66,607	(652)	-	-	-	
, 10 T	72,704	-	-	-	-	-	-	-	
4,457	4,543	(86)	1,180,776	1 101 752	(077)	-	-	-	
-,,	1,575	(60)	1,100,770	1,181,753	(977)	940,380	940,381	(1)	
_	-	_	60,944	- 81.070	(21.026)	15,000	15,000	-	
	-	-	00,344	81,970	(21,026)	-	-	-	

		DD Division	
ear ended September 30, 2004	Budge	t Actual	Variance Positive (Negative)
Self-determination Specialized residential State disability assistance	\$ 53,251 20,475,407	\$ 9,816 12,722,518	\$ 43,435 7,752,889
State inpatient services Sub acute detox	951,431	944,088	7,343
Support service coordination Wrap around	5,046,613	4,773,455	273,158
Substance abuse allocation	-		
	\$37,109,684	\$ 37,204,134	\$ (94,450)

Schedule of Expenses

	MIA Division						CFAO Division					Substance Abuse Division		
	Budget	Actua	1	Variance Positive (Negative)		Budget		Actual		Variance Positive (Negative)	Budget	Actua	<u> </u>	Variance Positive (Negative)
7,64	25,000 49,362 - 44,675 -	\$ - 5,944,196 - 2,670,503	\$	25,000 1,705,166 - (25,828) -	\$	- 406,794 - - -	\$	269,074 - 35,599 -	\$	137,720 - (35,599) - -	\$ - 2,232,691 210,573 - 432,245	\$ - 2,113,262 188,256 - 366,674	\$	119,429 22,317 - 65,571
	<u>-</u>	-		-		-		-		-	1,295,513	1,295,513		-
\$30,48	35,133	\$30,253,802	\$	231,331	\$5	,589,652	\$5	5,308,542	\$	281,110	\$7,313,900	\$6,951,025	\$	362,875

		Adı	ninistration	1
Year ended September 30, 2004	Budg	et	Actual	Variance Positive (Negative)
Expenses				
Audit	\$ 18,250	\$	17,264	\$ 986
Community promotion	60,700		57,745	2,955
Consultants	473,750		316,703	
County cost allocation	144,600		144,594	157,047
Depreciation	91,221		149,594	(59.272)
Fringe benefits	770,169		727,114	(58,373)
Insurance and bonds	61,600		63,513	43,055
Janitorial service	11,100		10,920	(1,913)
Legal	136,957		116,755	180
Medications	130,937		110,733	20,202
Memberships and subscriptions	28,500		27,412	1 000
MIS project	98,000		87,226	1,088
Office equipment and furniture	62,330		47,745	10,774
Office supplies	20,800		17,496	14,585
Postage	10,000		8,238	3,304
Program services	10,000		0,230	1,762
Rent	26,700		18,922	7 770
Repairs and maintenance	34,550		15,638	7,778
Salaries and wages	2,827,585	2	796,554	18,912
Security	2,027,383	۷,	190,334	31,031
Telephone	45,118		42,173	2.045
Training	59,100		42,173 35,578	2,945
Travel	56,350			23,522
Utilities	40,500		42,934 30,655	13,416
Miscellaneous	37,390		.,	9,845
Substance abuse allocation	(368,411)	,	34,356	3,034
	(308,411)	(.	450,893)	82,482
	\$4,746,859	\$4,	358,236	\$ 388,623

Schedule of Expenses

		Cornerstone					Traini	ng	
	Budge	t Actuz	P	ariance ositive gative)	·	Budget	Act	ual	Variance Positive (Negative)
\$	-	\$ -	\$	_	\$	_	\$	_	\$ -
	-	_		-		-		-	_
	310,050	334,406	(2	4,356)		-		-	-
	-	-		-		-		-	_
	-	-		-		-		-	-
	736,900	685,291	5	1,609	4	0,800	41,68	32	(882)
	-	-		-		-		-	-
	20,700	19,213		1,487		2,600	2,52	20	80
	-	-		-		-		-	-
	64,475	109,459	,	4,984)		-		-	-
	1,900	433		1,467		250	7	5	175
	2,350	1,986		364		-		-	-
	14,610	3,519	1	1,091		2,700	52		2,171
	15,600	15,035		565		8,950	7,99		957
	3,750	3,000		750		2,200	1,11	6	1,084
	36,700	62,037	•	5,337)		+		-	-
	200,508	198,324		2,184		5,550	4,29		1,253
_	18,627	13,808		1,819		9,100	4,04		5,051
2.	,621,361	2,643,877	(22	2,516)	19	7,300	193,05	4	4,246
	119,300	119,029		271		-		-	•
	51,473	42,893		3,580		2,650	1,58		1,062
	24,800	14,542		,258		5,500	2,35		3,147
	8,850	5,164		,686		1,000	96		32
	18,000	16,328		,672		9,350	7,074		2,276
,	14,882	12,521	2	2,361		200	99	9	101
(844,620)	(844,620)							<u> </u>
\$ 3,	440,216	\$ 3,456,245	\$ (16	,029)	\$288	3,150	\$267,397	7 \$	20,753

Summary of Budgeted, Reported and Audited Amounts -Substance Abuse Coordinating Agency Schedule A

Year ended September 30, 2004	Budgeted	l Reported	d Audited	Va Report/A	Local Funds	
Central Administration						
1 Salaries and wages	\$ -	\$ -	- \$ -	\$	- \$	_
2 Fringe benefits	-		· <u>-</u>		-	-
3 Travel	-	-			-	-
4 Supplies and materials	-	-	· <u>-</u>		-	-
5 Contractual						-
6 Equipment	-	-	-		-	-
7 Other expenses	-	-	-		-	-
8 Indirect costs	-	-	-		-	-
9 Other cost distributions	368,411	373,722	373,722		-	-
10 Subtotal Central Administration	368,411	373,722	373,722		-	-
11 Less: Central Administration fees and collections	_	_	_			
12 Less: Central Administration Medicaid	132,708	68,504	68,504		-	-
13 Net: Expenditures for Central Administration	235,703	205 219	205 219			
14 Add: Categorical Grants Administered Centrally:	255,705	305,218	305,218		-	-
5 Categorical Grant A	_	_	_		_	_
6 Categorical Grant B	-	_	_		_	_
7 Categorical Grant C			-			_
8 Subtotal Central Administration and Categorical Gran	t: \$ 235,703	\$ 305,218	\$ 305,218	\$	- \$	-
9 Gross: Subcontractors Expenditures	\$6,945,489	\$6,585,410	\$ 6,585,410	\$	¢	
20 Less: Subcontractors Fees and Collections	ψυ, <i>Σπυ</i> ,πο <i>Σ</i>	8,107	8,107	Ъ	- \$	0 107
1 Less: Medicaid (PEPM)	1,322,353	1,207,113	1,207,113		-	8,107
2 Less: Medicaid Savings Carryover	-				-	-
3 Net: Subcontractors Expenditures	\$5,623,136	\$5,370,190	\$ 5,370,190	\$	- \$	8,107

Summary of Budgeted, Reported and Audited Amounts -Substance Abuse Coordinating Agency Schedule A

Year ended September 30, 2004	Budgeted	Reported	Audited	Varianc Report/Audite	_	Local Funds
24 Totals (Add line 18 + 23)	\$5,858,839	\$5,675,408	\$ 5,675,408	\$ -	\$	8,107
25 Funds Required	\$5,858,839	\$5,675,408	\$ 5,675,408	\$ -	\$	8,107
26 Less: Local PA2 Funding (State Contract Amount) 27 Local PA2 (Not Reported on FSR)	1,278,098	1,278,099	1,278,099	-	1	,278,099
28 Less: Other local 29 Less: Direct federal	584,404	473,327	473,327	-		473,327
30 Less: Other - includes MI Child and ABW	109,055	136,360	136,360	_		
31 Amounts to be paid by state agreement	3,887,282	3,787,622	3,787,622			
32 Total DCH Payments			3,354,039			
33 (Over)/under payment			\$ 433,583			
 Local Funds Total Local Match Requirement [(Expenditures less Medic [(Line 10 + 15 + 16 + 17 + 19 + 12 + 21 + 22 + 29) x 	caid and Direct I	Federal) x 10%	6]			,759,533 568,352
66 Local Match (Shortfall)/Excess					\$ 1,	191,181

			eported (FSR)		Audited Expenditures							
_		Net of Fees	Net of Fees		Gross		Less		Less		Net	
Program	and	d Medicaid	 and Medicaid		Amount		Medicaid		Fees		Amount	
Central Administration	\$	235,703	\$ 305,218	\$	373,722	\$	68,504	\$	-	\$	305,218	
Prevention		1,007,999	1,007,999		1,007,999		-		-		1,007,999	
Treatment		4,203,592	3,943,395	:	5,158,615		1,207,113		8,107	3	3,943,395	
Women's Services		146,972	142,770		142,770		-		-		142,770	
HIV Training		54,000	54,000		54,000		-		-		54,000	
State Disability Assistance		210,573	 222,026		222,026		-		-		222,026	
Grand Totals	\$ 5	5,858,839	\$ 5,675,408	\$ 6	5,959,132	\$ 1	,275,617	\$	8,107	\$ 5	,675,408	

Reconciliation of PA2 funds

Ending Balance	\$	_
Expenditures Not Reported on FSR		_
Contractual Expenditures	(1,27)	8,099)
Additions	1,27	8,099
Beginning balance	\$	-

Schedule of Expenses and Funding by Program Substance Abuse Coordinating Agency Schedule B

	Audited Funding Sources									Variance																
				Other		Direct		Total		Total														Reported/	Qι	uestioned
	State	PA2		Local	F	ederal		Other		Funding	Audited		Cost(s)													
\$	99,259	\$ -	\$	205,959	\$	-	\$	-	\$	305,218	\$ -	\$	-													
	933,862	74,138		-		-		-		1,008,000	1		-													
2	2,347,158	1,192,508		267,368		-		136,360		3,943,394	(1)		-													
	142,770	-		-		-		-		142,770	•		-													
	54,000	-		-		-		-		54,000	-		-													
	210,573	11,453		-				-		222,026	-		-													
\$3	,787,622	\$1,278,099	\$	473,327	\$		\$	136,360	\$	5,675,408	\$ -	\$														

Reconciliation of Medicaid Managed Care Funds (PEPM)

Lapse (Return to Grantee)	\$ -
Medicaid Savings Carryforward	-
Expenditures	(1,275,617)
Medicaid Savings Carried Over	-
PEPM Payments Received	\$1,275,617

License # I-SATS	# Provider	ODCP	Medicaid	SDA	Fees
	Administrative				
	CA Admin	\$ 99,259	\$ 68,504	\$ -	\$ -
	Administrative Totals	99,259	68,504		
	AAR				
410251 MI11541	0 CDR	199,283	290,693	-	-
	AAR Totals	199,283	290,693	•	-
	Detox				
410004 MI720532	2 Salvation Army Turning Point	237,202	6,300	_	_
410276 MI116889		63,880	26,762	-	-
330262 MI116293		829	882	_	_
	Detox Totals	301,911	33,944		-
	IOP				
410249 MI117127	Arbor Circle Corp / AOS	44,573	43,530	-	283
410008 MI901983		2,916	5,564	-	-
410246 MI113670	Pathfinder Resources / DeMey Ctr	19,992	25,379	-	207
410015 MI907790	Project Rehab / Op Svs.	(842)	17,592	-	-
410015 MI907790	Project Rehab / Op Svs. (Jail Svs)	86,600	, <u>-</u>	_	-
410004 MI720532	Salvation Army Turning Point	30,081	9,420	-	-
410276 MI116889	Spectrum Health - Kent Campus	35,314	45,332	-	54
410156 MI107813	Wedgwood Christian	13,774	48,941	-	1,056
	IOP Totals	232,407	195,758	-	1,599
	Methadone				
410014 MI907790	Project Rehab	7,913	119,189	-	-
	Methadone Totals	7,913	119,189	_	-

Report to the Legislature for Fiscal Year 2003/2004 (Unaudited)

Local	Federal	Other	Total Revenues/ Expenditures	Units of Service	Admissions	Unduplicated Clients
\$ 205,959	\$ -	\$ -	\$ 373,722			
205,959	-	φ - -	373,722	-	-	-
354,644			844,620	7 200	7 000	4.00
354,644	-	-	844,620	7,368 7,368	7,368 7,368	4,924 4,924
1,469	-	-	244,971	1,467	430	340
31,778	-	60	122,480	688	249	210
377	-	1	2,089	8	1	1
33,624	-	61	369,540	2,163	680	551
41,261	-	12,011	141,657	1,659	155	145
5,058	-	2,928	16,466	183	17	17
29,367	-	15,714	90,659	989	99	96
9,802	-	8,343	34,894	540	68	66
44,614	-	-	131,213	2,624	66	64
7,264	-	5,077	51,841	566	89	82
31,055	-	10,679	122,433	1,408	161	152
8,591		1,738	74,099	986	80	80
177,010		56,489	663,264	8,955	735	702
46,055	 	33,252	206,408	3,312	147	137
46,055	_	33,252	206,408	3,312	147	137

License #	I-SATS#	Provider	ODCP	Medicaid	SDA	Fees
		OP				
410249	MI117127	Arbor Circle Corp / AOS	182,661	125,425	-	5,817
410218	MI110924	Bethany Christian Services	3,208	1,396	-	-
410077	MI907774	Family Outreach Center	8,984	7,070	-	406
340026	MI101163	Ionia Outpatient	161	10	-	7
410076	MI103341	Life Guidance Services	9,806	4,371	-	208
410246	MI113670	Pathfinder Resources / DeMey Ctr	58,682	32,033	-	276
410015	MI907790	Project Rehab / Op Svs.	(2,095)	27,690	-	(331)
410276	Mi116889	Spectrum Health-Kent Campus	(1,395)	3,307	-	19
410156	MI107813	Wedgwood Christian	11,061	4,747	-	108
		OP Totals	271,072	206,048	-	6,509
		Other Services				
		HIV / Aids	61,370	-	-	-
		HIV Training	54,000	-	•	-
410192		Mel Trotter Public Inebriate Shelter	-	-	-	-
		Michigan Rehabilitation Services	10,548	-	-	_
		Tobacco Inspections	- -	-	-	-
		Tobacco Vendor Education	8,782	-	-	-
		OOC	•	900	-	-
		Innovation Plans	33,186	-	-	-
		Other Services Totals	167,885	900	_	-
		Prevention				
410077	MI907774	Family Outreach Center	34,271	_	-	_
410040	MI907758	Gerontology Network Svs.	160,516	-	_	_
410147	MI108720	Kent Co Health Dept	142,271	-	-	=
410147	MI108720	Kent Co Health Dept - Methamphetamine	71,500	-	-	-
410300	MI111310	Native American Council	64,402	•	-	_
410015	MI907790	Project Rehab / Op Svs.	292,412	-	-	-
410156	MI107813	Wedgwood Christian	24,952	-	-	-
410156	MI107813	Wedgwood Christian - SIG	140,086	-	-	-
		Prevention Coordinator	72,196	-	-	-
		Workforce Development - Survey	1,190		-	-
		Prevention Totals	1,003,795	•	-	-

•

Report to the Legislature for Fiscal Year 2003/2004 (Unaudited)

Local	Federal	Other	Total Revenues/ Expenditures	Units of Service	Admissions	Unduplicated Clients
Local	reuerai	Other	Experientares	00.7.00		
141,351	_	19,463	474,718	7,534	1,171	1,10
2,056		358	7,018	85	17	. 1
29,240	_	1,294	46,993	327	73	7
84	_	2	264			
7,150	_	1,752	23,287	319	64	6
37,301	_	6,351	134,643	1,700	268	25
11,484	_	10,204	46,952	1,483	203	19
829	_	1,247	4,006	239	33	3
5,947	_	323	22,185	267	41	4
235,442	-	40,995	760,066	11,954	1,870	1,78
200,772						
			04.070			
-	-	-	61,370	-	-	-
-	-	-	54,000	-	•	-
15,000	-	-	15,000	-	-	-
5,452	-	-	16,000	-	-	-
-	-	-	- 0.700	-	-	-
-	-	-	8,782	-	-	-
-	-	-	900	-	-	-
17,096	-		50,282	-	-	-
37,549	-		206,334	-	-	-
-	-	-	34,271	-	-	-
-	-	-	160,516	-	-	-
-	-	-	142,271	-	-	-
-	1	-	71,501	-	-	-
63,852	-	-	128,254	-	-	-
-	-	-	292,412	-	-	•
-	-	-	24,952	-	•	-
-	1	-	140,087	•	-	-
10,286	=	-	82,482	-	-	-
-		-	1,190		-	-
74,138	2	-	1,077,935	-	_	-

License #	I-SATS#	Provider	ODCP	Medicaid	SDA	Fees
		Residential				
410008	MI901983	Our Hope Association	58,838	24,901	3,722	-
410247	MI113688	Pathfinder Resources / Jellema	283,946	160,218	60,180	-
410014	MI302133	Project Rehab-Adult Svs.	220,950	36,817	121,464	-
		Project Rehab-Hispanic	151,155	1,362	23,044	-
	MI720532	Salvation Army Turning Point	446,292	(836)	1,648	-
	MI116889	Spectrum Health - Kent Campus	126,617	69,026	399	-
110210		Wedgwood - Adolescent	5,723	69,094	115	-
		Residential Totals	1,293,521	360,581	210,573	-
		CMHSAS Network of West MI	\$3,577,046	\$1,275,617	\$210,573	\$8,108

Percenatage of SAPT Block Grant Expenditures for Alcohol: Percentage of SAPT Block Grant Expenditures for Drugs:

39.67% 60.33%

Report to the Legislature for Fiscal Year 2003/2004 (Unaudited)

Local	Federal	Other	Total Revenues/ Expenditures	Units of Service	Admissions	Unduplicated Clients
			445.000	1 020	39	38
53,514	-	5,008	145,983	1,939		
202,870	-	244	707,458	14,250	440	382
175,842	_	191	555,265	12,594	443	428
79.094	_	_	254,654	2,580	55	52
(424)		_	446,681	2,837	204	193
, . ,	_	93	269,505	2,086	198	189
73,370	-		77,699	393	12	12
2,741	-	27			1,391	1,294
587,007	<u>-</u>	5,563	2,457,245	36,679		
\$1,751,427	\$2	\$136,360	\$6,959,133	70,431	12,191	9,38



BDO Seidman, LLPAccountants and Consultants

99 Monroe Avenue NW, Suite 800 Grand Rapids, Michigan 49503-2654 Telephone: (616) 774-7000 Fax: (616) 776-3680

January 18, 2005

Members of the Finance Committee Kent County CMH Authority Grand Rapids, Michigan

Dear Members:

We have audited the financial statements of the Kent County CMH Authority (Authority) for the year ended September 30, 2004, and have issued our report thereon dated January 18, 2005. Under generally accepted auditing standards, we are providing you with the attached information related to the conduct of our audit.

This information is intended solely for the use of the Finance Committee and management of the Authority and should not be used for any other purpose.

Very truly yours,

BDO Silman, UP

Report to the Finance Committee
Year Ended September 30, 2004

Report to the Finance Committee

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion on the financial statements of the Kent County CMH Authority (Authority) based on our audit. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audit to provide reasonable, but not absolute, assurance of detecting misstatements that are material to the financial statements. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Authority. Such considerations were for the purpose of determining our audit procedures and to report on the internal control in accordance with *Government Accounting Standards*, and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in the notes to the financial statements. We noted no transactions entered into by the Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Management Judgments

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. Our audit procedures included inquiries about, and a review of, significant management judgments and accounting estimates.

Report to the Finance Committee

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments to the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the Authority's financial reporting process.

However, the Authority's management did record a prior period adjustment at October 1, 2002 to correct previously expensed capital assets. This adjustment increased net assets at October 1, 2002 by \$175,128.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

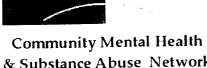
Report to the Finance Committee

Issues Discussed With Management Prior to Recurring Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Difficulties Encountered With Management in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.



& Substance Abuse Network Of West Michigan

Helping people build better lives.



February 8, 2005

Michigan Department of Community Health Office of Drug Control Policy stainj@michigan.gov

To Julie Stain:

Attached is the Revised Kent County CMH Authority Legislative Report and Schedule A & B for the year ending September 30, 2004. The revision is necessary to correct a misreporting of expenditures on these schedules as a result of a classification error in our general ledger.

Total expenditures remain unchanged however the source of funds amount have been modified as follows:

State funds have decreased to \$3,716,122 Local funds have increased to \$1,822,927

If you have any questions please feel free to contact me at 616.336.3204 or email me at nicolek@cmhsa.org

Sincerely,

Nicole Kushion

Financial Analyst Manger

Tom Elzinga Cc:

> DCH SA Reports File Correspondence File



Michigan Department of Community Health Office of Drug Control Policy Report to the Legislature for Fiscal Year 2003/2004 Expenditures and Revenues - REVISED Community Mental Health and Substance Abuse Services Network of West Michigan

License # I-SATS #	Provider	ODCP	Medicaid	SDA	Fees	Local	Federal	Other	Expenditures	Service		Clients
	Administrative CA Admin	99,259.00	68,503.68		•	205,959.37	•		\$373,722		į	
	Administrative Totals	\$99,259	\$68,504	0\$	\$0	\$202,959	0\$	\$0	\$373,722	0	0	0
410251 MI115410	AAR CDR	199,282.93	290,693.01	•		354,644.05	•	•	\$844,620	7,368	7,368	4,924
		\$199,283	\$290,693	0\$	\$0	\$354,644	0\$	0\$	\$844,620	7,368	7,368	4,924
	_	9	0000			7 100 1			244 070 63	1 467	430	340
410004 MI720532		237,202.00	6,300.00 26.761.86			31 778 35		60.24	\$122,480	688	249	210
4102/6 MI116889	Specific realist-New Campus Sparrow Hospital	828.78	881.75			377.38		1.03	\$2,089	8	+	-
2020		\$301,911	\$33,944	\$0	\$0	\$33,624	\$0	\$61	\$369,540	2,163	680	551
	dO.		•								,	
410249 MI117127	-	44,573.26	43,530.01	,	282.50	41,260.62	•	12,010.62	\$141,657	1,659	155	145
410008 MI901983	_	2,915.62	5,564.07			5,057.92	•	2,928.37	\$10,400	193	- 6	- 9
410246 MI113670	Pathfinder Resources / DeMey Ctr	19,991.75	25,379.30		207.00	29,300.98	. ,	13,7 14.02	\$30,033 \$34 894	540	89	99
410015 MI907/80		86.599.71	20:160:11		, ,	44.613.52	, ,	,	\$131.213	2,624	99	64
410004 MI720532		30,081.00	9,420.00	•	,	7,263.66	•	5,076.77	\$51,841	999	89	82
410276 Mi116889		35,314.03	45,331.82	•	53,75	31,055.20	•	10,678.68	\$122,433	1,408	161	152
410156 MI107813	_	13,774.03	48,941.34	•	1,055.50	8,590.52	,	1,738.06	\$74,099	986	80	80
		\$232,407	\$195,758	\$	\$1,599	\$177,010	\$0	\$56,489	\$663,264	8,955	735	702
								1			,	10,4
410014 MI907790	_	7,912.79			,	46,054.51	. 6	33,251.54	\$206,408	3,312	147	137
	Methadone Totals	S18,74	\$118,18B	O#	00	\$40,033	O#	\$20,000	00+'00Z¢	2,0,0	-	Ď.
	-								1	,	į	,
410249 MI117127	_	182,661.34	125,424.77	•	5,817.25	141,351.08	Þ	19,463.14	\$474,718	7,534	171,1	101,1
410218 MI110924	_	3,208.01	1,395.96	•		2,055.54	•	357.99	\$7,018	85	- 1	>
410077 MI907774	_	8,983,86	7,069.76	•	405.50	29,239.63		1,294.20	\$46,993	327	2	7
340026 MI101163	_	161.32	9.95	•	6.75	84.11	,	2.22	\$264			
410076 MI103341	Ξ	9,805.83	4,370.97	•	207.50	7,150.28	•	1,752.49	\$23,287	319	64	63
410246 MI113670		58,681,55	32,033.11	•	275.50	37,301.50	•	6,351.33	\$134,643	1,700	268	256
410015 MI907790	_	(2,095.24)	27,689.92		(330.50)	11,483.50	•	10,204.38	\$46,952	1,483	203	198
410276 MI116889		(1,395.31)	3,307.08	•	19.00	828.63	•	1,246.73	\$4,006	239	33	33
410156 MI107813		11,060.55	4,746.83		108.00	5.947.27	,	322.62	\$22,185	/97	4 4	4 007
	OP Totals	\$271,072	\$206,048	S	\$6,509	\$235,442	0\$	\$40,995	\$760,066	11,954	0/8/1	1,/80

Michigan Department of Community Health Office of Drug Control Policy Report to the Legislature for Fiscal Year 2003/2004 Expenditures and Revenues - REVISED Community Mental Health and Substance Abuse Services Network of West Michigan

#STAS-1 # eareal	Provider	ODCP	Medicald	SDA	Fees	Local	Federal	Other	Total Revenues/ Expenditures	Units of Service	Admissions	Admissions Unduplicated Clients
	Other Services											
	HIV / Aids	61,369.63					•		0/£,10¢			
	HIV Training	54,000.00				•	•		\$54,000			
410192	Mel Trotter Public Inebriate Shelter	•	•	٠	•	15,000.00	•		\$15,000			
1	Michigan Debabilitation Services	10.547.76	•			5.452.24			\$16,000			
	Tobacco Incompliano		•	•	,		•		\$0			
	l opacco inspections		•	•	•		•		CB 783			
	Tobacco Vendor Education	8,782.00				•	,		20,700			
	200	•	900.00		•	,		•	2054			
	Innovation Plans	33,185.80	•	•	•	17,096.31	,		\$50,282			
	Other Services Totals	\$167,885	\$900	\$0	\$0	\$37,549	\$0	\$0	\$206,334	0	0	0
1 TEE CO. 1	Frevention Formal Cuttons Confer	34 070 66		,	•			•	\$34.271			
4100// MISU//4	ramily Outreach Center	24,27,000	•	1	ı			i	\$160 516			
410040 MI907758	Gerontology Network SVS.	100,010.10			•	•	•		6440,014			
410147 MI108720	Kent Co Health Dept	142,271.12	•		,	,	,		177'74 \$			
410147 MI108720	Kent Co Health Dept - Methamphetam		•	•		•			2			
410300 MI111310	Native American Council	64,401.57	,		•	63,852.00			\$128,254			
410015 MI907790	Project Rehab / Op Svs.	292,411.69	•	•	•	•			\$292.412			
410156 MI107813	Wedowood Christian	24,952,40		,		•		٠	\$24,952			
410156 MI107813	Wedawood Christian - SIG	140,085,50	•	,	•				\$140,086			
	Prevention Other		,	•		71,500.00	•		\$71,500			
	Prevention Coordinator	72 196 00	•			10,286.00	•	,	\$82,482			
	Workforce Development - Survey	1.190.00		,	,	,		•	\$1,190			
	Prevention Totals	\$932,295	0\$	\$	\$0	\$145,638	\$0	\$0	\$1,077,933	,	,	•
	Residential											Š
410008 MI901983	Our Hope Association	58,838.09	24,900.91	3,721.73		53,513.95		5,008.08	\$145,983	1,939		38
410247 Mi113688	Pathfinder Resources / Jellema	283,946.21	160,217.90	60,180.41		202,869.55	•	243.74	\$707,458	14,250	•	382
410014 MI302133	Project Rehab-Adult Svs.	220,950.48	36,817.25	121,464.23		175,841.78	į	191.30	\$555,265	12,594	•	428
410188 MI109728	Project Rehab-Hispanic	151,154.62	1,362.00	23,043.63		79,094.16	•		\$254,654	2,580		25
410004 MI720532	Salvation Army Turning Point	446,295.00	(836.00)	1,648.34		(423.58)	,	•	\$446,684	2,837	204	193
410276 MI116889	Spectrum Health - Kent Campus	126.617.44	69,025.56	399.49	•	73,369.75	,	92.85	\$269,505	2,086		189
	Wedawood - Adolescent	5,722.54	69,093.53	115.17	•	2,740.92	•	26.77	\$77,699	393		12
	Residential Totals	\$1,293,524	\$360,581	\$210,573	\$0	\$587,007	\$0	\$5,563	\$2,457,248	36,679		1.294
	CMHSAS Network of West MI	\$3 505 549	\$1 275 617	\$210,573	\$8.108	\$1,822,927	\$0	\$136,360	\$6,959,134	70,431	12,191	9,388
	CMITCAL NEWOLK OF WEST MI	640,000,00	10001	212,0139	20.						١	
Percenatage of SAPT Block G	Percenatage of SAPT Block Grant Expenditures for Alcohol:	39.67%										
Percentage of SAPT Block Grant Expenditures for Drugs:	ant Expanditures for Drugs:	60.33%										

Kent County CMH Authority SUBSTANCE ABUSE PREVENTION & TREATMENT Schedule of Budgeted, Reported, and Audited Amounts - REVISED

For the Year Ended September 30, 2004

		(FCD)	Audited	Variance (Audited-Reported)	Local Funds
Category	Budgeted F	Reported (FSR)	Audited	(Addited Nepolites)	
Central Administration				**	
1 Salaries and Wages	\$0	\$0	\$0	\$ 0	
2 Fringe Benefits	0	0	0	0 0	
3 Travel	0	0	0		
4 Supplies and Materials	0	0	0	0 0	
5 Contractual	0	0	0	0	
6 Equipment	0	0	0	0	
7 Other Expenses	0	0	0	0	
8 Indirect Costs	0	0	0		
9 Other Cost Distributions	368,411	373,722	373,722	(0)	
10 Sub-total Central Administration	368,411	373,722	373,722	(0)	\$0
11 Less: Central Admin. Fees & Collections	0	0	0	=	40
12 Less: Central Admin. Medicaid	(132,708)	(68,504)	(68,504)	0	
13 Net Central Administration Expenditures	235,703	305,218	305,218	(0)	
14 Add: Categorical Grants Administered Centrally					
15 Categorical Grant A	0	0	0	0	
16 Categorical Grant B	0	0	0	0	
17 Categorical Grant C	0	0	0	0_	
18 Subtotal Central Administration and Categorical	235,703	305,218	305,218	(0)	
	6,945,489	6,585,410	6,585,410	(0)	
19 Gross Subcontractors' Expenditures	0,945,469	(8,107)	(8,107)		\$8,107
20 Less: Subcontractors' Fees and Collections	(1,322,353)	(1,207,113)	(1,207,113)	_	
21 Less: Medicaid (PEPM)	(1,022,000)	0	0	0_	
22 Less: Medicaid Savings Carried Over	5,623,136	5,370,190	5,370,190	(0)	
23 Net Subcontractors' Expenditures	0,020,100				
24 Totals (Add line 18 + line 23)	\$5,858,839	\$5,675,408	\$5,675,408	(\$0)	
25 Funds Required	\$5,858,839	\$5,675,408	\$5,675,408	(\$0)	
The DAG Funding (State Contract Amount)	(1,278,098)	(1,278,099)	(1,278,099) 0	\$1,278,099
 26 Less: Local PA2 Funding (State Contract Amount) 27 Local PA2 (Not Reported on FSR) 					0
	(584,404)	(544,827)	(544,827) 0	544,827
28 Less: Other Local	0	0	0	0	
29 Less: Direct Federal30 Less: Other - includes MI Child and ABW	(109,055)	(136,360)	(136,360) 0	
31 Amount to be Paid by State Agreement	3,887,282	3,716,122	3,716,122	(0)	
31 Amount to be Paid by State Agreement	2,222,				
32 Total DCH Payments			3,354,039	•	
33 (Overpayment)/Underpayment			\$362,083	3_	
34 Local Funds Total					\$1,831,033
35 Local Match Requirement [(Expenditures less Me	dicaid and Direct	Federal) * 10%]			568,352
[(Line 10 + 15 + 16 + 17 + 19 +12 +21 + 22 + 29) *	10%]				\$1,262,681
36 Local Match (Shortfall)/Excess					Ψ1,202,001

	Final Budget	Final Budget Reported (FSR)	*	Audited Expenditures	ditures			A	Audited Funding Sources	g Sources				Questioned
	(Net of fees	(Net of fees	Gross	Less	Less	Net			Other	Direct		Total	Variance	Cost
Program	and Medicaid)	and Medicaid)	Amount	Medicald	Fees	Amount	State	PA2	Local	Federal	Other	Funding	Funding (Audited-Reported) (Audited-Funding)	Audited-Funding)
Central Administration	\$235,703	\$305,218	\$373,722	\$68,504		\$305,218	\$99,259		\$ 205,959			\$305,218	\$0	9
Prevention	1,148,084	1,148,084	1,148,085			1,148,085	1,002,447	74,138	71,500			1,148,084	-	0
Treatment	4,063,507	3,803,310	5,018,530	1,207,113	8,107	3,803,309	2,207,073	1,192,508	267,368		136,360	3,803,309	(£)	(0)
Women's Services	146,972	142,770	142,770			142,770	142,770					142,770	0	0
HIV Training	54,000	54,000	54,000			54,000	54,000					54,000	0	0
State Disability Assistance	210,573	222,026	222,026			222,026	210,573	11,453				222,026	0	0
Tobacco Retailers Inspection	0		0			0		-				٥	0	0
Totals	\$5,858,839		\$5,675,409 \$6,959,133 \$1,275,617	\$1,275,617	\$8,107	\$5,675,408	\$3,716,122	\$1,278,099	\$544,827	950	\$136,360	\$5,675,408	(\$1)	80

Reconciliation of PA2 Funds:

Reconciliation of Medicaid Managed Care (PEPM) Funds:

PEPM Payments Received	19 Medicaid Savings Carried Over	9) Expenditures		Capse (Return to Grantee)
,	dditions 1,278,099	Contractual Expenditures (1,278,099)	Expenditures Not Reported on FSR	Ending Balance \$0

(1,275,617) \$1,275,617